

STATEMENT OF ROBERT M. GATES
NOMINEE TO BE DIRECTOR OF CENTRAL INTELLIGENCE
SENATE SELECT COMMITTEE ON INTELLIGENCE
17 FEBRUARY 1987

MR. CHAIRMAN; MEMBERS OF THE COMMITTEE:

THANK YOU FOR YOUR WORDS OF WELCOME AND THANK YOU SENATOR WARNER FOR INTRODUCING ME. I AM DEEPLY HONORED TO HAVE BEEN NOMINATED BY THE PRESIDENT TO THE POSITION OF DIRECTOR OF CENTRAL INTELLIGENCE.

AT THE SAME TIME, I AM PROFOUNDLY SADDENED BY THE CIRCUMSTANCES WHICH BRING ME HERE -- THE ILLNESS OF DIRECTOR CASEY. I CANNOT LET THIS OCCASION PASS WITHOUT NOTING THE GREAT DEBT OF GRATITUDE OWED BY THIS COUNTRY AND ITS INTELLIGENCE SERVICES TO WILLIAM J. CASEY FOR HIS SUCCESSFUL RESTORATION OF AMERICAN INTELLIGENCE. WITH THE SUPPORT OF THE PRESIDENT AND THE CONGRESS, HE OBTAINED DESPERATELY NEEDED RESOURCES TO RESTORE AND EXPAND OUR COLLECTION AND ANALYSIS CAPABILITIES; HE FOSTERED AN UNPRECEDENTED DEGREE OF HARMONY AND COOPERATION AMONG AMERICAN INTELLIGENCE ORGANIZATIONS; HE MADE OUR ASSESSMENTS MORE REALISTIC AND HONEST IN PRESENTING DIFFERING VIEWS; HE RESTORED OUR MORALE, OUR SENSE OF PURPOSE AND MISSION; HE HELPED MAKE US MORE RELEVANT AND USEFUL TO POLICYMAKERS AND THE CONGRESS; HE BROUGHT OUR SERVICES NEW

RESPECT AND COOPERATION OVERSEAS; AND HE FASHIONED AMERICAN INTELLIGENCE ONCE AGAIN INTO AN INSTRUMENT FOR USE AGAINST OUR ADVERSARIES -- WHETHER THEY BE DRUG DEALERS, THOSE WHO WOULD STEAL OUR TECHNOLOGY, OR COMMUNIST GOVERNMENTS AT WAR WITH THEIR OWN PEOPLE. FROM THE OSS AND RUNNING AGENTS IN NAZI-OCCUPIED FRANCE TO THE WORLD OF COLLECTION SATELLITES IN SPACE AND LASER WEAPONS, BILL CASEY HAS SERVED HIS COUNTRY LONG AND WITH DISTINCTION. HE IS ONE OF THE LAST OF THAT GENERATION OF GREAT AMERICANS WHO EMERGED FROM WORLD WAR II DETERMINED THAT THE UNITED STATES PLAY A CRITICAL ROLE IN PRESERVING AND EXTENDING THE FREEDOM THEY HAD DEFENDED AT SUCH GREAT COST -- AND HE HAS WORKED FOR OVER 40 YEARS TO FULFILL THAT OBJECTIVE.

MR. CHAIRMAN, IN THIS OPENING STATEMENT, I WOULD LIKE TO ADDRESS BRIEFLY THREE SUBJECTS THAT I BELIEVE ARE OF INTEREST TO THE COMMITTEE: MY INDEPENDENCE AND ACCESS, MY AGENDA FOR THE INTELLIGENCE COMMUNITY, AND MY VIEW OF CONGRESSIONAL OVERSIGHT. I AM THE FIRST CAREER OFFICER TO BE NOMINATED FOR THE POSITION OF DIRECTOR OF CENTRAL INTELLIGENCE IN NEARLY 15 YEARS AND ONLY THE THIRD SINCE THE POSITION WAS ESTABLISHED FORTY YEARS AGO.

THE PRESIDENT'S INSTRUCTIONS WHEN HE OFFERED THE POSITION TO ME WERE CLEAR AND DIRECT. HE TOLD ME THAT HE WANTS HIS INTELLIGENCE UNVARNISHED -- THE GOOD AND THE BAD: IT MUST BE PROFESSIONAL AND OBJECTIVE. HE ALSO SAID THAT HE EXPECTED ME TO COME TO HIM DIRECTLY WITH INTELLIGENCE OR CONCERNS WHENEVER

I THINK IT APPROPRIATE. I GAVE HIM MY ASSURANCES ON BOTH COUNTS.

I CAN ASSURE YOU THAT I WILL HESITATE NEITHER TO PRESENT UNWELCOME NEWS NOR SAY WHAT I THINK TO POLICYMAKERS OR TO CONGRESS. NOR WILL I HESITATE TO MAKE WHATEVER PERSONNEL OR ORGANIZATIONAL CHANGES ARE NEEDED TO ENSURE BOTH HIGH QUALITY INTELLIGENCE AND ADHERENCE TO THE RULES.

WITH ALL THAT MR. CASEY ACCOMPLISHED OVER THE PAST SIX YEARS, HE WOULD BE THE FIRST TO ACKNOWLEDGE THAT THERE REMAINS A SIGNIFICANT UNFINISHED AGENDA FOR U.S. INTELLIGENCE. WE CANNOT AFFORD TO STAND STILL OR BE CONTENT WITH CARETAKING. THE NATIONAL FOREIGN INTELLIGENCE STRATEGY POINTS THE WAY TO THE FUTURE BUT LET ME QUICKLY REVIEW WHAT I CONSIDER OUR AGENDA FOR THE NEXT TWO YEARS AND BEYOND.

THE DEMANDS UPON US FOR COLLECTION AND ANALYSIS ON A DRAMATICALLY EXPANDING RANGE OF SUBJECTS HAS THE POTENTIAL -- AND SOME WOULD SAY ALREADY HAS BEGUN -- TO WEAKEN OUR EFFECTIVENESS IN HIGH-PRIORITY AREAS. WE MUST BEGIN WORKING WITH POLICYMAKERS TO IDENTIFY THOSE PROBLEMS WHERE INTELLIGENCE CAN MAKE A UNIQUE CONTRIBUTION AND FOCUS ON THEM. WITH FINITE RESOURCES WE CANNOT TRY OR PRETEND TO TRY TO COLLECT AND ANALYZE INFORMATION ON EVERY CONCEIVABLE SUBJECT OF INTEREST TO EVERY AGENCY OR OFFICIAL OF THE UNITED STATES

GOVERNMENT; WE MUST PRIORITIZE BETTER. THIS IS PARTICULARLY TRUE AS OUR WORK ON MORE TRADITIONAL HIGH PRIORITY AREAS SUCH AS SOVIET WEAPONS PROGRAMS IS BECOMING INCREASINGLY DIFFICULT AND MORE RESOURCE INTENSIVE.

-- ANOTHER IMPORTANT PROBLEM FOR US TO DEAL WITH IS THE AVALANCHE OF INFORMATION, BOTH THAT ACQUIRED THROUGH TRADITIONAL INTELLIGENCE MEANS AND THAT WHICH IS OPENLY AVAILABLE. IN SOME PARTS OF OUR COMMUNITY WE MEASURE COMPUTERS BY THE ACRE AND STILL OUR ABILITY TO EXPLOIT INFORMATION IS INCREASINGLY HARD-PRESSED. THE ANSWER IS NOT LESS INFORMATION, BUT BETTER PROCESSING AND EXPLOITATION. I AM CONVINCED THAT THERE IS ROOM FOR OPEN COOPERATION IN THIS AREA BETWEEN AMERICAN INTELLIGENCE AND AMERICAN BUSINESS AND UNIVERSITIES THAT ALSO ARE TRYING TO COPE WITH THIS PROBLEM. BUT WE MUST ALLOCATE THE RESOURCES NECESSARY TO ENSURE EFFECTIVE EXPLOITATION OF WHAT WE COLLECT.

-- WE MUST BUILD UPON THE CLOSER COOPERATION FOSTERED BY MR. CASEY AMONG THE DIFFERENT ELEMENTS OF THE COMMUNITY. AS WE CONFRONT A GROWING NUMBER OF PROBLEMS WE SHOULD EXPLORE THE POSSIBILITY OF SOME DIVISIONS OF LABOR WHILE PRESERVING NECESSARY COMPETITIVE ANALYSIS ON CRITICAL SUBJECTS. FOR EXAMPLE, THE DEFENSE INTELLIGENCE AGENCY HAS BEEN GIVEN THE RESPONSIBILITY

ON BEHALF OF THE ENTIRE COMMUNITY FOR MAINTAINING DATA BASES ON MILITARY FORCES IN THE THIRD WORLD. I BELIEVE THERE ARE OTHER SUCH AREAS WHERE WE CAN COMBINE BOTH COMPETITION AND COOPERATION.

-- WE MUST FOSTER MORE ANALYTICAL COMPETITION, BOTH WITHIN THE INTELLIGENCE COMMUNITY AND OUTSIDE. OUR INFORMATION IS OFTEN FRAGMENTARY OR AMBIGUOUS. SIGNIFICANT INTELLIGENCE FAILURES IN THE PAST HAVE COME WHEN WE OFFERED WITH FALSE CERTAINTY ASSESSMENTS THAT PRESENTED EITHER AN ARTIFICIAL CONSENSUS OR FORECAST ONLY A SINGLE OUTCOME TO COMPLEX DEVELOPMENTS. WHILE I BELIEVE WE OWE POLICYMAKERS A CLEAR ESTIMATE OF WHAT WE THINK WILL HAPPEN IN A GIVEN SITUATION, WE NEED TO BE HONEST ENOUGH TO ADMIT THAT THERE ARE USUALLY OTHER POSSIBILITIES AND TO DESCRIBE THEM. THE CANDID PRESENTATION OF DIFFERING VIEWS AMONG INTELLIGENCE AGENCIES IS IMPERATIVE.

-- WE NEED TO CONTINUE EFFORTS TO EXPAND AND IMPROVE OUR HUMAN INTELLIGENCE CAPABILITIES. NOT ONLY ARE THERE CRITICAL AREAS WHERE ONLY HUMAN AGENTS CAN GET NEEDED INFORMATION -- FOR EXAMPLE, EARLY RESEARCH ON ADVANCED WEAPONS -- BUT ALMOST ALWAYS THE ONLY INFORMATION WE GET ON INTENTIONS COMES FROM HUMAN SOURCES. WE NEED MORE CASE OFFICERS, WE NEED THEM OVERSEAS, AND WE NEED THEM ASSIGNED TO AREAS WHERE THE REQUIREMENTS ARE MOST

PRESSING. AT THE SAME TIME, WE MAY NEED TO TIGHTEN FURTHER OUR COMMAND AND CONTROL. FINALLY, WE NEED TO INTENSIFY CURRENT EFFORTS TO DIVERSIFY OUR OFFICER CADRE, BRINGING IN MEN AND WOMEN WHO CAN MOVE WITH EASE AND UNOBTUSIVELY IN ALL PARTS OF THE WORLD.

- THE EXPERIENCE OF THE LAST FEW YEARS DEMONSTRATES THE NEED TO REDOUBLE OUR COUNTERINTELLIGENCE EFFORT, BOTH OVERSEAS AND IN OUR OWN GOVERNMENT. WE MUST DEVOTE MORE RESOURCES TO REINVESTIGATIONS, TO SECURITY EDUCATION, TO VIGILANCE, AND TO CLOSER COLLABORATION AMONG THE AGENCIES WITH COUNTERINTELLIGENCE RESPONSIBILITIES. CIA ALREADY HAS REDIRECTED WITHIN THE LAST FEW MONTHS TENS OF MILLIONS OF DOLLARS TO CATCH UP ON INTERNAL REINVESTIGATIONS. MORE NEEDS TO BE DONE GOVERNMENTWIDE IN THIS AND OTHER AREAS.
- WE NEED TO CONTINUE IMPROVING OUR MANAGEMENT OF COVERT ACTIONS, MAKING THEM MORE EFFICIENT AND EFFECTIVE, SHORTENING THE GAP BETWEEN DECISIONS AND IMPLEMENTATION, AND ENSURING THAT WE SEEK THE RESOURCES WE NEED TO BE SUCCESSFUL. SIMULTANEOUSLY, WE MUST ENSURE THAT NO COVERT ACTION IS UNDERTAKEN WITHOUT PROPER COORDINATION AND PROPER WRITTEN AUTHORIZATION AND ALSO THAT THEY ARE CONDUCTED IN FULL ACCORDANCE WITH THE LAW AND OUR OWN REGULATIONS. MOREOVER, WE OWE IT TO THE POLICY COMMUNITY TO ENSURE THAT THEIR

DECISION TO USE COVERT ACTION NOT BE UNDERCUT BY SHORTCOMINGS IN OUR IMPLEMENTATION -- EITHER IN THE FIELD OR WITH CONGRESS. FINALLY, TO THE DEGREE WE ARE INVOLVED IN COVERT ACTION OR OTHER OPERATIONS IN SUPPORT OF POLICY, WE MUST TAKE SPECIAL CARE TO PROTECT AND ENSURE THE OBJECTIVITY AND QUALITY OF OUR ANALYSIS.

- WE MUST DO SOMETHING ABOUT UNAUTHORIZED DISCLOSURES. WE MUST RESTORE DISCIPLINE INSIDE THE GOVERNMENT, ESPECIALLY WITH RESPECT TO INTELLIGENCE SOURCES, TECHNIQUES AND ASSETS. THE FIRST STEPS ARE MORE RIGOROUS INVESTIGATIONS AND THE APPLICATION OF FIRM SANCTIONS AS WELL AS BETTER PROTECTION OF GENUINELY SENSITIVE DOCUMENTS. RECENT STEPS BY THIS COMMITTEE IN THESE RESPECTS ARE WELCOME AND ENCOURAGING. THE COST TO OUR CAPABILITIES FROM LEAKS AS WELL AS SPIES HAS BEEN CATASTROPHIC. BETTER COUNTERINTELLIGENCE WILL HAVE LITTLE EFFECT IF THE SOVIETS CAN READ ALL ABOUT OUR COLLECTION CAPABILITIES IN THE DAILY PRESS. WE MUST ALSO HOPE THAT THE AMERICAN MEDIA UNDERSTANDS, AND WE MUST HELP THEM TO APPRECIATE, THE RISKS TO THE NATION'S SECURITY AND THE COST TO THE TAXPAYER OF PUBLISHING INFORMATION ON INTELLIGENCE SOURCES AND METHODS LEAKED BY THOSE WHO BETRAY THE COUNTRY'S TRUST IN THEM.

-- WE MUST CONTINUE TO SEEK AND OBTAIN THE RESOURCES NEEDED TO MEET CONSTANTLY CHANGING INTELLIGENCE REQUIREMENTS. IN A FAST-CHANGING AND DANGEROUS WORLD, QUALITY INTELLIGENCE CANNOT BE FUNDED ON-AGAIN OFF-AGAIN; CONTINUED INVESTMENT IN NEW CAPABILITIES IS ESSENTIAL. AT A TIME WHEN THERE ARE SEVERE PRESSURES ON THE DEFENSE BUDGET, LOGICALLY RESOURCES FOR INTELLIGENCE SHOULD RISE, NOT BE REDUCED. THIS IS A PROBLEM BOTH THE EXECUTIVE BRANCH AND THE CONGRESS MUST ADDRESS. QUALITY INTELLIGENCE REQUIRES SUSTAINED SUPPORT.

-- IN THE YEARS AHEAD, WE WILL BE CHALLENGED TO RECRUIT, DEVELOP AND RETAIN AN EXTRAORDINARILY DIVERSE, TALENTED AND DEDICATED GROUP OF PEOPLE. WE MUST RECOGNIZE THE SPECIAL BURDENS AND SACRIFICES OF PEOPLE IN THIS UNIQUE WORKING ENVIRONMENT -- ESPECIALLY THOSE OVERSEAS -- AND AGGRESSIVELY EXPLORE WAYS TO RECRUIT, RETAIN, AND REWARD PEOPLE OF HIGH QUALITY.

FINALLY, BUT FIRST IN IMPORTANCE, WE MUST ACT PROMPTLY TO STRENGTHEN THE RELATIONSHIP BETWEEN THE INTELLIGENCE COMMUNITY AND OUR CONGRESSIONAL COMMITTEES. OVER THE PAST TWO OR THREE YEARS, IT HAS SEEMED LIKE ALL OF US INVOLVED HAVE WORKED TO DEVELOP GREATER MUTUAL CONFIDENCE AND TRUST, ONLY TO HAVE SOME NEW EVENT OR ACTION ERASE THAT PROGRESS AND FORCE US TO START

OVER. WE MUST FIND A WAY TO AVOID VALLEYS OF MISTRUST IN THIS RELATIONSHIP. I CONSIDER IT ONE OF MY HIGHEST PRIORITIES TO HELP RE-ESTABLISH MUTUAL TRUST AND CONFIDENCE. I BELIEVE WE ARE OFF TO A GOOD START. THE KEY, IN MY VIEW, IS BETTER COMMUNICATION ON BOTH SIDES. CLOSE AND CONTINUING CONTACT BETWEEN US, CONFIDENCE ON YOUR PART THAT WE WILL BE FORTHCOMING -- THAT YOU DON'T HAVE TO ASK EXACTLY THE RIGHT QUESTION TO LEARN WHAT WE ARE DOING, AND CONFIDENCE ON OUR PART THAT THE NATION'S SECRETS WILL BE PROTECTED, REPRESENT THE MOST PROMISING PATH TO A MORE STABLE AND SATISFACTORY RELATIONSHIP.

MR CHAIRMAN, MOST OF OUR CITIZENS DO NOT REALIZE THE UNIQUENESS OF THE RELATIONSHIP BETWEEN THE INTELLIGENCE COMMUNITY AND THE CONGRESSIONAL OVERSIGHT COMMITTEES OR OF THE GROUND WE ARE BREAKING TOGETHER FOR THE EFFECTIVE OPERATION OF A SECRET INTELLIGENCE SERVICE IN THE WORLD'S MOST OPEN DEMOCRACY. INDEED, A PUBLIC HEARING SUCH AS THIS WOULD BE INCONCEIVABLE IN ANY OTHER NATION IN THE WORLD.

AS I SAID LAST APRIL, THE CONCEPT AND PRINCIPLES OF CONGRESSIONAL OVERSIGHT OF INTELLIGENCE ARE FULLY ACCEPTED WITHIN THE AMERICAN INTELLIGENCE COMMUNITY. NEARLY TWO-THIRDS OF THOSE NOW SERVING IN CIA BEGAN THEIR CAREERS AFTER 1976, WHEN OVERSIGHT AS WE KNOW IT BEGAN. THEY KNOW NO OTHER WAY OF DOING BUSINESS THAN WITHIN THE FRAMEWORK OF CONGRESSIONAL OVERSIGHT. AT THE SAME TIME, WE REALIZE THAT, ALMOST BY DEFINITION, OVERSIGHT INVOLVES SKEPTICISM, CRITICISM, AND

SUGGESTIONS FOR IMPROVEMENT. AND, OBVIOUSLY, NOBODY LIKES TO BE ON THE RECEIVING END OF CRITICISM. BUT, WHATEVER FRICTIONS RESULT ARE USUALLY TRANSITORY AND DO NOT AFFECT THE BASIC PROCESS.

MORE IMPORTANT, THE COMMUNITY'S ACCEPTANCE OF OVERSIGHT IS BASED IN SUBSTANTIAL MEASURE ON RECOGNITION OF THE BENEFITS TO US OF THE PROCESS. WE REMEMBER, FOR EXAMPLE, THAT THE REBUILDING OF AMERICAN INTELLIGENCE BEGAN IN THE LATE 1970's IN THE CONGRESS. SUBSEQUENTLY, BOTH OVERSIGHT COMMITTEES HAVE STRONGLY SUPPORTED OUR RESOURCE NEEDS. YOU HAVE ON OCCASION DEFENDED US IN PUBLIC AGAINST UNJUSTIFIED ACCUSATIONS. YOU HAVE BEEN INSTRUMENTAL IN INITIATING AND SPONSORING LEGISLATION IMPORTANT TO OUR PEOPLE AND OUR WORK, INCLUDING THE IDENTITIES PROTECTION ACT AND THE CIA INFORMATION ACT. OVERSIGHT HAS CREATED AN ENVIRONMENT THAT FOSTERS ADHERENCE TO THE RULES AT ALL LEVELS AND DISCOURAGES CORNER CUTTING OR ABUSES. THE COMMITTEES HAVE CONTRIBUTED TO IMPROVING THE QUALITY OF OUR WORK AND TO EFFICIENCY. AND, FINALLY, THE CONGRESSIONAL COMMITTEES AND EXECUTIVE OVERSIGHT ORGANIZATIONS SUCH AS THE PRESIDENT'S INTELLIGENCE OVERSIGHT BOARD AND THE PRESIDENT'S FOREIGN INTELLIGENCE ADVISORY BOARD SHOULD GIVE THE AMERICAN PEOPLE CONFIDENCE THAT THEIR INTELLIGENCE SERVICE IS ACCOUNTABLE, CARRIES OUT ITS ACTIVITIES ACCORDING TO THE LAW AND THAT WE ARE GUIDED BY STANDARDS AND VALUES ACCEPTABLE TO THEM.

IT WOULD BE NAIVE TO BELIEVE, GIVEN SEPARATION OF POWERS ISSUES BETWEEN THE EXECUTIVE AND THE LEGISLATIVE BRANCHES AND THE CONTRASTING CULTURES AND NEEDS OF A SECRET SERVICE ON THE ONE HAND AND A FREELY ELECTED CONGRESS ON THE OTHER, THAT THERE WOULD NOT BE DIFFICULTIES. YET, WITH THAT, I BELIEVE THAT OVERSIGHT WORKS AND THAT, WITH OVERSIGHT, WE CONTINUE TO HAVE THE FINEST INTELLIGENCE SERVICE IN THE WORLD. INDEED, WHERE OTHERS MAY SEE SOME LIABILITIES IN OVERSIGHT, I SEE IMPORTANT STRENGTHS. FOR EXAMPLE, BECAUSE PEOPLE KNOW, THROUGH YOU, THAT WE ARE ACCOUNTABLE AND SUBJECT TO THE RULE OF LAW, WE HAVE ACCESS TO THE BEST MINDS AND RESOURCES OF AMERICA -- IN BUSINESS, THE UNIVERSITIES, AND SCIENTIFIC CENTERS. SOME 200-250 THOUSAND AMERICANS EXPRESS INTEREST IN JOINING CIA EACH YEAR. MOST AMERICANS SEE OUR EFFORTS AS NECESSARY TO PRESERVE OUR FREEDOM -- AND, BECAUSE OF OVERSIGHT AND THE LAW, NOT A THREAT TO THAT FREEDOM.

MR. CHAIRMAN, I CANNOT CONCLUDE MY STATEMENT WITHOUT PAYING TRIBUTE, IN THIS PUBLIC FORUM, AS I DID LAST YEAR, TO THE BRAVE MEN AND WOMEN OF AMERICAN INTELLIGENCE, MILITARY AND CIVILIAN, WHO LIVE AND WORK IN DANGEROUS AND INHOSPITABLE PLACES OVERSEAS AND UNDER ENORMOUS PRESSURES HERE AT HOME. WITH COURAGE AND DEDICATION, THEY ENDURE PERSONAL SACRIFICE, INCREDIBLY LONG HOURS, A CLOAK OF SECRECY ABOUT WHAT THEY DO THAT EXCLUDES EVEN THEIR FAMILIES, A LACK OF PRIVACY, AND YET ANONYMITY. AS THE PRESIDENT SAID IN 1984, "THE WORK YOU DO EACH DAY IS ESSENTIAL TO THE SURVIVAL AND TO THE SPREAD OF HUMAN FREEDOM. YOU REMAIN

THE EYES AND EARS OF THE FREE WORLD. YOU ARE THE TRIPWIRE." THE NATION CAN BE PROUD OF ITS INTELLIGENCE SERVICES AND, IF CONFIRMED, I WOULD BE PROUD TO SERVE WITH THEM AS DIRECTOR OF CENTRAL INTELLIGENCE.

THIS CONCLUDES MY OPENING STATEMENT. I HAVE SUBMITTED FOR THE RECORD ANSWERS TO THE COMMITTEE'S WRITTEN QUESTIONS BUT, IN ADDITION, WITH THE CHAIRMAN'S PERMISSION, I WOULD LIKE TO RESPOND ORALLY TO TWO QUESTIONS.

13 February 1987

Q. 1. ON WHAT DATE DID YOU FIRST LEARN INFORMATION, EITHER DIRECTLY OR INDIRECTLY, REGARDING THE PROPOSED SALE OF ARMS TO IRAN? WHAT WAS THAT INFORMATION AND WHAT ACTION DID YOU TAKE, OR ADVISE, UPON LEARNING SUCH INFORMATION?

A. MY FIRST, PARTIAL INVOLVEMENT IN THE IRANIAN PROJECT BEGAN ON 5 DECEMBER 1985 WHEN I WAS ASKED TO ATTEND A MEETING IN THE OFFICE OF THE DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE, JOHN McMAHON. I ATTENDED IN MY CAPACITY AS DEPUTY DIRECTOR FOR INTELLIGENCE. THERE WERE REPRESENTATIVES AT THE MEETING FROM BOTH THE ANALYTICAL AND OPERATIONAL ELEMENTS OF THE AGENCY. ACCORDING TO NOTES TAKEN BY THE DDCI'S ASSISTANT, MR. McMAHON ASKED A SERIES OF SUBSTANTIVE QUESTIONS ABOUT FACTIONALISM IN IRAN, THE IRAN-IRAQ MILITARY BALANCE, IRANIAN TANK STRENGTH, WHETHER THE IRANIANS WERE SEEKING SPARE PARTS TO DEAL WITH SOVIET BEAR AIRCRAFT PURPORTEDLY FLYING ALONG THE IRAN/IRAQ BORDER, AND HE ASKED FOR A BIOGRAPHY OF A SENIOR IRANIAN MILITARY OFFICIAL. THOSE OF US FROM THE ANALYTICAL SIDE ANSWERED SOME OF HIS QUESTIONS ON THE SPOT AND WENT BACK TO HIM WITH ANSWERS

ON THE REST EITHER THAT AFTERNOON OR THE NEXT DAY.
WHILE WE WERE STILL IN THE ROOM, MR. McMAHON ASKED
SEVERAL QUESTIONS OF THE OPERATIONAL OFFICERS PRESENT
AND THERE WERE REFERENCES TO A FLIGHT THAT HAD TAKEN
PLACE A FEW DAYS EARLIER, THAT THERE WERE TO BE OTHER
FLIGHTS AND SOME FURTHER DISCUSSION OF FLIGHTS.
McMAHON WAS TOLD THAT A FINDING HAD BEEN SIGNED. I WAS
UNAWARE OF THE CONTEXT, BUT THIS WAS THE FIRST
INDICATION I HAD THAT THE US WAS INVOLVED IN SOME WAY
IN ARRANGEMENTS RELATED TO IRAN.

Q. 2. SINCE THE DATE SET FORTH IN YOUR RESPONSE TO QUESTION #1 ABOVE, STATE WHAT INFORMATION THAT YOU HAVE SUBSEQUENTLY LEARNED, EITHER DIRECTLY OR INDIRECTLY, REGARDING THE SALE OF ARMS TO IRAN, STATE WHEN YOU LEARNED SUCH INFORMATION, DESCRIBE SUCH INFORMATION, AND DESCRIBE WHAT ACTIONS YOU TOOK, OR ADVISED, UPON LEARNING SUCH INFORMATION.

A. DURING EARLY FEBRUARY, I SAW A SCENARIO PAPER FROM THE NSC THAT LAID OUT A PROPOSED SCHEDULE FOR, IN EFFECT, THE EXCHANGE OF BONA FIDES OF THE TWO SIDES -- THAT IS, THE WEAPONS AND THE HOSTAGES, WHICH WOULD THEN LEAD TO A MISSION TO TEHRAN AND THE OPENING OF A STRATEGIC DIALOGUE. THE SCENARIO PROVIDED, AS I RECALL, THAT THE ENTIRE ENTERPRISE WOULD TAKE PLACE OVER A RELATIVELY SHORT PERIOD OF TIME. THE SCHEDULE INCLUDED THE TRANSFERS OF WEAPONS BUT FEW OPERATIONAL DETAILS. THE SCHEDULE WAS NEVER MET TO THE BEST OF MY KNOWLEDGE.

AT THIS POINT I BASICALLY LOST TOUCH WITH THE PROJECT AS I BECAME INVOLVED IN THE CONFIRMATION PROCESS TO BECOME DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE. I ONLY RECALL BEING ADVISED ABOUT THE MAY McFARLANE MISSION TO TEHRAN AND BEING BRIEFED IN GENERAL TERMS ABOUT WHAT HAPPENED THERE. I WAS GENERALLY AWARE THAT TOW MISSILES AND HAWK MISSILE PARTS HAD BEEN TRANSFERRED TO

THE IRANIAN SIDE BUT I WAS NOT AWARE OF THE PRECISE QUANTITIES INVOLVED. AFTER THE McFARLANE MEETING IN TEHRAN IN MAY, THE PROJECT ENTERED A QUIESCENT PHASE. APART FROM AN OCCASIONAL UPDATE ON THE STATE OF NEGOTIATIONS WITH THE IRANIAN SIDE, MY NEXT INVOLVEMENT OCCURRED ON 1 OCTOBER. I ONLY BECAME AWARE OF THE EXACT TERMS OF THE ARMS TRANSFERS -- THE QUANTITY OF MISSILES; THEIR COST; OUR ACCOUNTING PROCEDURES; AND OTHER SPECIFICS RELATED TO OUR SUPPORT ROLE -- IN MID-TO LATE NOVEMBER AS WE TRIED TO PULL TOGETHER A FULL ACCOUNT OF OUR INVOLVEMENT AND PREPARE CONGRESSIONAL TESTIMONY.

SECRET NOFORN

Q. 3. ON WHAT DATE DID YOU FIRST LEARN INFORMATION, EITHER DIRECTLY OR INDIRECTLY, REGARDING THE TRANSFER OF INTELLIGENCE TO IRAN, WHAT WAS THAT INFORMATION, AND WHAT ACTIONS DID YOU TAKE, OR ADVISE, UPON LEARNING SUCH INFORMATION.

A. ON 24 JANUARY 1986 I WAS CALLED TO MR. McMAHON'S OFFICE AND TOLD THAT AT NSC DIRECTION WE WERE TO PREPARE SOME INTELLIGENCE MATERIALS ON IRAQ TO BE PROVIDED TO THE IRANIANS. I OBJECTED, STATING THAT WE WERE CONCERNED ABOUT THE IRAQI MILITARY SITUATION AND THAT I CONSIDERED THIS A VERY DANGEROUS THING TO DO. OUR OBJECTIONS WERE OVERRULED, I UNDERSTOOD AT THE TIME, BY ADMIRAL POINDEXTER. WE SUBSEQUENTLY PREPARED INFORMATION ON A SEGMENT OF THE BORDER WELL AWAY FROM PRINCIPAL BATTLE AREAS AND WHERE THERE WAS LITTLE MILITARY ACTIVITY IN ORDER TO MINIMIZE THE VALUE OF THE INFORMATION TO THE IRANIANS. ON 26 JANUARY, MR. McMAHON SENT A CABLE TO THE DIRECTOR IN WHICH HE REFLECTED THE GREAT OPPOSITION WITHIN THE AGENCY TO PROVIDING THIS INTELLIGENCE AND STATED THAT "IN SPITE OUR COUNSEL TO THE CONTRARY, WE ARE PROCEEDING TO FOLLOW ORDERS AS AUTHORIZED IN THE FINDING."

SECRET NOFORN

Q. 4. SINCE THE DATE SET FORTH IN YOUR RESPONSE TO QUESTION #3 ABOVE, STATE WHAT INFORMATION THAT YOU HAVE SUBSEQUENTLY LEARNED, EITHER DIRECTLY OR INDIRECTLY, REGARDING THE TRANSFER OF INTELLIGENCE TO IRAN, STATE WHEN YOU LEARNED SUCH INFORMATION, DESCRIBE SUCH INFORMATION, AND DESCRIBE WHAT ACTIONS YOU TOOK, OR ADVISED, UPON LEARNING SUCH INFORMATION.

A. FIRST, LET ME PROVIDE DATA ON THE SUBSEQUENT PASSAGES OF INTELLIGENCE DATA ON IRAQ WHICH WERE PREPARED BY CIA IN RESPONSE TO A SPECIFIC REQUEST AND INTENDED FOR THE IRANIANS. AFTER THE INITIAL 24 JANUARY MATERIAL, THERE WERE THREE OTHER SUCH INSTANCES IN WHICH MATERIAL WAS PASSED TO THE IRANIANS.

-- ON 19 FEBRUARY, WE PROVIDED ADDITIONAL MAPS AND ANNOTATED IMAGERY OF IRAQI DISPOSITIONS IN THE CENTRAL BORDER AREA, VERY NEAR THE AREA IN THE CENTRAL SECTOR ON WHICH THE INFORMATION WAS PROVIDED IN JANUARY. THE IRANIAN INTERLOCUTORS TOLD US AT THAT TIME THAT THEY WANTED INFORMATION ON THE SOVIETS.

-- WE WERE ASKED IN MARCH TO PREPARE A BRIEFING ON THE SOVIET FORCES ARRAYED AGAINST IRAN. THIS MATERIAL WAS TAKEN TO TEHRAN BY THE MCFARLANE MISSION.

-- IN LATE SEPTEMBER, THE NSC SWITCHED TO A NEW IRANIAN CONTACT, WHO EXPRESSED INTEREST IN INTELLIGENCE ON IRAQ AND ASKED FOR MANY DETAILS ON THE IRAQI DISPOSITION OF FORCES. IN RESPONSE TO THE NSC REQUEST, CIA PREPARED ONE ANNOTATED MAP AND TALKING POINTS ON THE GENERAL LOCATIONS OF IRAQI UNITS. WE ALSO PROVIDED COPIES OF COMMERCIALY AVAILABLE MAPS IDENTICAL TO THE ONES PROVIDED BY THE U.S. GOVERNMENT TO IRAN 15 YEARS BEFORE.

WITH REGARD TO MY REACTION TO THE CONTINUED PASSAGE OF INTELLIGENCE ON IRAQ, AND WHAT ACTIONS I TOOK WHEN I LEARNED OF THESE INCIDENTS, I KNEW OF THE INSTANCES IN JANUARY, FEBRUARY, AND MAY. WHILE I LEARNED IN THE FALL THAT ANOTHER SET OF MATERIALS WAS TO BE PREPARED FOR THE IRANIANS, I DID NOT KNOW WHEN THAT EXCHANGE WAS TO TAKE PLACE AND I DID NOT SEE THAT SET OF MATERIALS UNTIL EARLY DECEMBER. I ALSO SAID IN JANUARY 1986 THAT THE ONLY PART OF THE PASSAGE OF INTELLIGENCE TO IRAN I FELT HAD MERIT WAS THAT ON SOVIET FORCES.

IN SUM, WE CONSISTENTLY OBJECTED TO THE PASSAGE OF INTELLIGENCE ON IRAQ TO IRAN AND EXPRESSED CONCERNS, WHICH WERE OVERRULED BY THE NSC. ALL ALONG WE TRIED TO SCALE BACK THE REQUESTS FOR SUCH INTELLIGENCE WHILE WARNING THAT THERE COULD BE DEMONSTRABLE RESULTS ON THE

SECRET NOFORN

BATTLEFIELD FROM THE PASSAGE OF TOO MUCH DETAIL. EVEN
WHILE COMPLYING WITH THE REQUESTS, AT THE FRONT OF OUR
MINDS WAS THE NEED TO DENY THE KIND AND LEVEL OF
INFORMATION THAT COULD MAKE A STRATEGIC DIFFERENCE IN
THE WAR.

Q. 5. ON WHAT DATE DID YOU FIRST LEARN INFORMATION, EITHER DIRECTLY OR INDIRECTLY, SUGGESTING THAT FUNDS DERIVED FROM THE SALE OF ARMS TO IRAN POSSIBLY HAD BEEN USED TO SUPPORT THE NICARAGUAN RESISTANCE, WHAT WAS THAT INFORMATION, AND WHAT ACTIONS DID YOU TAKE, OR ADVISE, UPON LEARNING SUCH INFORMATION?

A. ON 1 OCTOBER, OUR NATIONAL INTELLIGENCE OFFICER FOR COUNTERTERRORISM MET WITH ME TO EXPRESS CONCERN ABOUT THE OPERATIONAL SECURITY OF THE NSC'S IRAN ARMS PROJECT. HE SAID HE HAD INDICATIONS THAT INVESTORS HAD NOT BEEN REPAID FOR PUTTING UP THE FRONT MONEY FOR PART OF THE ARMS DEAL, AND THAT THERE WERE CONFUSING REPORTS RELATING TO CLAIMS BY TEHRAN THAT IT WAS OVERCHARGED FOR THE SPARE PARTS.

THE NIO ALSO SPECULATED THAT SOME OF THE FUNDS FROM THE IRANIAN ARMS SALES MAY HAVE GONE TO SUPPORT THE CONTRAS. HE TOLD ME HE FOUND WORRISOME THE JUXTAPOSITION OF REPORTS OF OVERCHARGING AND HIS BELIEF THAT SOME OF THE SAME PRIVATE CITIZENS WERE INVOLVED IN BOTH THE IRANIAN PROJECT AND CONTRA FUNDING. AT THE SAME TIME, HE SAID THAT HE HAD NO EVIDENCE OF ANY DIVERSION OF FUNDS OR THAT CIA, NSC, THE WHITE HOUSE OR THE U.S. GOVERNMENT MIGHT BE INVOLVED. NOR DID HE EXPRESS A CONCERN OR BELIEF THAT U.S. LAW MIGHT HAVE BEEN VIOLATED.

I WAS DISTURBED BY THE THREAT TO THE SECURITY OF THE OPERATION, AS WELL AS THE SPECULATION, AND DIRECTED THE NIO TO BRIEF THE DCI. THE NIO AND I MET WITH THE DCI ON 7 OCTOBER, 1986, AND THE NIO REPEATED HIS WORRIES ABOUT THE PROJECT'S OPERATIONAL SECURITY AND THE POSSIBILITY THAT THERE MIGHT HAVE BEEN A DIVERSION OF SOME OF THE IRANIAN MONEY. THE DCI TOLD HIM TO DRAFT A MEMORANDUM OUTLINING HIS CONCERN.

Q. 6. AFTER THE DATE SET FORTH IN RESPONSE TO QUESTION #5 ABOVE, AND PRIOR TO THE ATTORNEY GENERAL'S ANNOUNCEMENT ON NOVEMBER 25, 1986, STATE WHAT INFORMATION YOU LEARNED, EITHER DIRECTLY OR INDIRECTLY, SUGGESTING THAT FUNDS DERIVED FROM THE SALE OF ARMS TO IRAN POSSIBLY HAD BEEN USED TO SUPPORT THE NICARAGUAN RESISTANCE, DESCRIBE THAT INFORMATION, STATE WHEN YOU LEARNED SUCH INFORMATION, AND DESCRIBE WHAT ACTIONS YOU TOOK, OR ADVISED, UPON LEARNING SUCH INFORMATION.

IN ADDITION, DESCRIBE ANY SUCH INFORMATION THAT YOU LEARNED SUBSEQUENT TO THE ATTORNEY GENERAL'S ANNOUNCEMENT ON NOVEMBER 25, 1986, WHICH HAD BEEN KNOWN TO EMPLOYEES OF THE CENTRAL INTELLIGENCE AGENCY PRIOR TO SUCH ANNOUNCEMENT, AND DESCRIBE WHAT ACTIONS YOU TOOK, OR ADVISED, UPON LEARNING SUCH INFORMATION.

A. ON 7 OCTOBER, THE SAME DAY AS ALLEN'S MEETING WITH THE DCI AND ME, THE DCI RECEIVED A TELEPHONE CALL FROM A NEW YORK BUSINESSMAN. THE BUSINESSMAN KNEW ABOUT THE FINANCIAL ASPECTS OF THE NSC PROJECT -- IN FACT CONSIDERABLY MORE THAN CIA KNEW -- AND WANTED TO EXPRESS HIS CONCERN ABOUT THE SECURITY OF THE OPERATION BECAUSE OF THE UNHAPPY INVESTORS. ACCORDING TO THE MEMORANDUM OF CONVERSATION PREPARED BY THE DIRECTOR, AND CONTRARY TO RECENT PRESS ACCOUNTS, THE BUSINESSMAN

MADE NO MENTION IN THIS 7 OCTOBER CONVERSATION ABOUT ANY POSSIBLE DIVERSION OF FUNDS. I WAS INFORMED OF THE CONVERSATION SOON AFTER IT TOOK PLACE.

ON 9 OCTOBER, THE DCI AND I MET WITH LT. COL. NORTH TO RECEIVE A BRIEFING ON HIS RECENT MEETING WITH IRANIANS REPRESENTING A NEW CHANNEL TO SENIOR OFFICIALS IN TEHRAN. THREE SUBJECTS WERE DISCUSSED AT THE LUNCH -- THE RECENT MEETINGS WITH THE IRANIANS, THE SECURITY OF THE PROJECT, AND THE DOWNING OF THE PRIVATE BENEFACITOR SUPPLY PLANE AND CAPTURE OF EUGENE HASENFUS. THE DCI EXPRESSED HIS CONCERNS ABOUT THE OPERATIONAL SECURITY OF THE IRAN PROJECT, AND THERE WAS, AS I RECALL, CONSIDERABLE DISCUSSION ABOUT THE CHANGE OF IRANIAN CHANNELS AND THE UNHAPPINESS OF PRIVATE INVESTORS ASSOCIATED WITH THE FIRST CHANNEL. I TOLD THE DIRECTOR IN NORTH'S PRESENCE THAT HE SHOULD INSIST ON GETTING A COPY OF THE 17 JANUARY FINDING AND NORTH SAID HE WOULD TRY TO ARRANGE IT.

AS I TRY TO RECONSTRUCT THE CONVERSATION, WE THEN TURNED TO CENTRAL AMERICA, THE DOWNING FOUR DAYS BEFORE OF A CONTRA SUPPLY PLANE AND CAPTURE OF MR. HASENFUS AND HIS APPEARANCE IN MANAGUA TWO DAYS BEFORE -- ON THE 7TH. BUT IT WAS ON THE MORNING OF THE 9TH -- THE DAY OF THE LUNCH WITH NORTH -- THAT HASENFUS SAID AT A

PRESS CONFERENCE THAT HE WORKED WITH PEOPLE HE BELIEVED WERE CIA EMPLOYEES. THERE WAS A FUROR IN THE PRESS AND CONGRESS ABOUT THIS, AND MANY ALLEGATIONS AND QUESTIONS ABOUT CIA INVOLVEMENT. WHILE WE HAD ASSURANCES FROM OUR OWN PEOPLE THAT THEY HAD KEPT THEIR DISTANCE FROM THE PRIVATE BENEFACTORS, AS A CROSS-CHECK I ASKED LT. COL. NORTH AT THE LUNCH IF THERE WERE ANY CIA INVOLVEMENT, DIRECT OR INDIRECT, IN THE PRIVATE FUNDING EFFORT ON BEHALF OF THE CONTRAS. HE TOLD US THAT "CIA IS COMPLETELY CLEAN" OF ANY CONTACT WITH THOSE ORGANIZING AND FUNDING THE OPERATION. BECAUSE OF THE ALLEGATION OF CIA WRONGDOING WITH THE CONTRAS, AFTER LUNCH I MADE A RECORD OF HIS RESPONSE. TWO HOURS LATER, THE DIRECTOR AND I CAME TO THE CAPITOL TO ASSURE THE CHAIRMEN AND VICE CHAIRMEN OF THE TWO OVERSIGHT COMMITTEES THAT CIA HAD NOT BEEN INVOLVED IN THE FLIGHT OF THE CONTRA PLANE.

IN THIS CONTEXT, I RECALL, THAT TOWARD THE END OF THE LUNCH LT. COL. NORTH MADE A CRYPTIC REMARK ABOUT SWISS ACCOUNTS AND THE CONTRAS. NEITHER THE DCI NOR I PURSUED THE COMMENT. I WAS UNEASY ABOUT THE REMARK, HOWEVER, AND WENT BACK INTO THE DIRECTOR'S OFFICE AFTER LUNCH TO SEE IF HE HAD UNDERSTOOD WHAT LT. COL. NORTH HAD BEEN SAYING AND IF WE SHOULD BE CONCERNED BY IT.

HE EITHER HADN'T HEARD OR PICKED UP ON THE REMARK AT ALL, OR SEEMED UNCONCERNED, SO I DID NOT PURSUE IT FURTHER.

NOW, A WORD OF EXPLANATION IS IN ORDER AS TO WHY I DID NOT PURSUE LT. COL. NORTH'S PASSING AND CRYPTIC REMARK AT THE END OF THE LUNCH. FIRST, I DID NOT REALLY UNDERSTAND WHAT HE WAS TALKING ABOUT. SECOND, I DID NOT WANT TO PURSUE THE QUESTION OF PRIVATE FUNDING FOR THE CONTRAS, NOT BECAUSE I SUSPECTED A PROBLEM, BUT BECAUSE OF OUR OVERALL CONCERN NOT TO CROSS THE LEGAL LIMITS ON US VIS-A-VIS THE CONTRAS AND THEIR PRIVATE BENEFACTORS. DURING THE PERIOD IN QUESTION, CIA WAS AUTHORIZED TO PROVIDE VERY LIMITED SUPPORT TO THE NICARAGUAN RESISTANCE. WE KNEW, OBVIOUSLY, THAT PRIVATE GROUPS WERE PROVIDING SUPPORT TO THE RESISTANCE AND CIA PROBABLY COULD HAVE LEARNED ABOUT THESE ACTIVITIES AND WHO WAS INVOLVED. HOWEVER, WE DID NOT WANT TO GET AS CLOSE TO THE PRIVATE BENEFACTORS AS WOULD HAVE BEEN REQUIRED TO COLLECT SUCH INFORMATION BECAUSE WE DID NOT WANT TO DO ANYTHING THAT COULD BE MISINTERPRETED AS A CIA VIOLATION OF THE STATUTORY PROHIBITIONS. IT WAS OUT OF CAUTION TO AVOID CROSSING THE BOUNDS OF THE PERMISSIBLE THAT CIA OFFICERS AT ALL LEVELS WERE URGED TO AVOID INVOLVEMENT WITH MATTERS CONCERNING PRIVATE EFFORTS TO SUPPORT THE CONTRAS.

INDEED, THIS CAUTIOUS APPROACH WAS SPELLED OUT EXPLICITLY IN AN EARLY CABLE TO THE FIELD SOON AFTER PASSAGE OF THE BOLAND AMENDMENT. IT SAID: "WE ARE GOING TO BE UNDER VERY CLOSE SCRUTINY ON THIS QUESTION AND WE MUST TAKE EVERY PRECAUTION TO ENSURE THAT WE ARE NOT IN VIOLATION OF CONGRESSIONAL PROHIBITION EITHER IN FACT OR IN SPIRIT."

WE RECEIVED THE NIO'S MEMORANDUM LAYING OUT HIS THOUGHTS ON 14 OCTOBER. ALL BUT ONE PARAGRAPH OF THE SEVEN-PAGE MEMORANDUM FOCUSED ON THE UNHAPPY INVESTORS AND RISKS TO THE SECURITY OF THE OPERATION. IT WAS IN THIS CONTEXT THAT THE NIO OBSERVED THAT ONE OF THE INTERMEDIARIES WAS UNHAPPY ABOUT BEING LEFT IN THE LURCH BY THE CHANGE OF CHANNELS FOR NEGOTIATIONS, AND SAID THAT IF THE INTERMEDIARY DECIDED TO GO PUBLIC, HE MIGHT ALLEGE THAT PROFIT FROM THE ARMS TRANSACTION HAD BEEN REDISTRIBUTED TO "OTHER PROJECTS OF THE U.S. AND OF ISRAEL." THIS WAS AN EVEN MORE TENTATIVE AND VAGUE FORMULATION ABOUT A POSSIBLE DIVERSION THAN WHEN HE ORIGINALLY BRIEFED ME, WITH NO MENTION OF THE CONTRAS THIS TIME.

I URGED THE DIRECTOR TO GET THE MEMORANDUM TO ADMIRAL POINDEXTER AS QUICKLY AS POSSIBLE. WE MET WITH POINDEXTER THE NEXT DAY, ON OCTOBER 15. WE GAVE HIM THE MEMORANDUM AND HAD HIM READ IT IN OUR PRESENCE. HE

KEPT IT. AS I RECALL, THE ENSUING CONVERSATION FOCUSED ON THE SECURITY PROBLEM. WE REPEATED OUR CONCERN THAT THE PROJECT WAS OUT OF CONTROL AND SHOULD BE MADE PUBLIC, AND THE DIRECTOR SUGGESTED THAT THE ADMIRAL CONSULT THE WHITE HOUSE COUNSEL TO ENSURE THAT ALL THE NSC'S ACTIVITIES WERE PROPER.

THE SAME DAY AS THE MEETING WITH ADMIRAL POINDEXTER, 15 OCTOBER, BASED ON THE NIO'S MEMO, I CALLED IN THE CIA GENERAL COUNSEL AND TOLD HIM WHAT I KNEW ABOUT THE IRAN AFFAIR, INCLUDING CONCERNS ABOUT OPERATIONAL SECURITY POSED BY UNHAPPY INVESTORS, AS WELL AS THE NIO'S SPECULATION ABOUT A POSSIBLE DIVERSION OF IRANIAN MONEY. I ASKED HIM TO LOOK INTO ALL OF THIS, AND TO ENSURE THAT ALL OF CIA'S ACTIVITIES WERE LEGAL AND PROPER. HE LATER ADVISED THAT HE FOUND NOTHING IMPROPER IN CIA'S ACTIVITIES -- A JUDGMENT THAT HAS BEEN SUSTAINED.

I LEFT ON AN OVERSEAS TRIP ON 17 OCTOBER AND DID NOT RETURN UNTIL THE 30th. IT WAS DURING THAT TIME THAT THE NEW YORK BUSINESSMAN MET WITH THE NIO AND PASSED ALONG THE IRANIAN INTERMEDIARY'S BELIEF THAT SOME OF THE MONEY HAD BEEN "EARMARKED FOR CENTRAL AMERICA." I DID NOT LEARN OF THESE FOLLOW-UP CONVERSATIONS WITH THE BUSINESSMAN UNTIL AFTER THE ATTORNEY GENERAL'S

STATEMENT ON 25 NOVEMBER, AND TO THE BEST OF MY RECOLLECTION I DID NOT READ EVEN A SUMMARY OF THE MEMORANDUM REPORTING WHAT WAS SAID UNTIL 3 DECEMBER. IN FACT, MY UNFAMILIARITY WITH THESE LATE OCTOBER CONVERSATIONS REQUIRED A CORRECTION OF THE RECORD OF MY 4 DECEMBER SENATE SELECT COMMITTEE TESTIMONY, SPECIFICALLY WITH RESPECT TO WHEN THE BUSINESSMAN SAID WHAT. I BELIEVE THAT IT WAS WHEN I WAS TRAVELLING, PERHAPS AFTER LEARNING OF THE BUSINESSMAN'S COMMENTS ON A POSSIBLE DIVERSION, THAT THE DIRECTOR TOLD ADMIRAL POINDEXTER THAT LT. COL. NORTH SHOULD GET COUNSEL. I DON'T KNOW WHETHER HE MEANT THE WHITE HOUSE COUNSEL OR PRIVATE COUNSEL.

THE DCI AND I MET WITH ADMIRAL POINDEXTER ON 6 NOVEMBER AT WHICH TIME THE DCI AGAIN URGED THE ADMIRAL TO HAVE WHITE HOUSE COUNSEL REVIEW THE WHOLE IRANIAN PROJECT. WE CONTINUED TO URGE THAT A PUBLIC ACCOUNTING OF THE ENTIRE MATTER BE MADE.

IN SUMMARY, I WOULD LIKE TO MAKE THREE OBSERVATIONS.

-- FIRST, IT HAS BEEN ALLEGED IN THE MEDIA THAT THE DCI OR I LEARNED OF A DIVERSION OF IRANIAN FUNDS IN EARLY OCTOBER. THIS IS A VAST OVERSTATEMENT. IN TERMS OF MY PERSONAL ROLE, BEFORE 25 NOVEMBER I WAS AWARE ONLY OF

THE NIO'S SPECULATION OF 1 OCTOBER AND LT. COL. NORTH'S CRYPTIC REFERENCE OF 9 OCTOBER. THERE WAS NO EVIDENCE AT ANY TIME DURING THIS PERIOD OF INVOLVEMENT BY CIA, NSC, OR U.S. GOVERNMENT OFFICIALS, NOR ANY CONCERN EXPRESSED ABOUT A POSSIBLE VIOLATION OF LAW. NOR WAS THERE ANY EVIDENCE, IN FACT, THAT ANY DIVERSION HAD TAKEN PLACE.

AT NO POINT FROM 1 OCTOBER TO 25 NOVEMBER DID I RECEIVE ANY FURTHER INFORMATION ABOUT A POSSIBLE DIVERSION OF FUNDS. I REGARDED WHAT LITTLE INFORMATION I HAD AS WORRISOME, BUT EXTRAORDINARILY FLIMSY. SECURITY CONCERNS POSED BY UNHAPPY INVESTORS AND SPECULATION ABOUT THE FUNDING INVOLVED FINANCIAL ASPECTS OF THE IRANIAN INITIATIVE ARRANGED BY THE NSC AND ABOUT WHICH WE KNEW VERY LITTLE. THEREFORE, WE CONCLUDED THAT THE APPROPRIATE THING TO DO WAS TO BRING THESE MATTERS TO THE ATTENTION OF ADMIRAL POINDEXTER WITH A RECOMMENDATION THAT THE ENTIRE MATTER BE REVIEWED BY COUNSEL. WE FELT THAT ONLY THEY WERE IN A POSITION TO EVALUATE AND ACT ON THE INFORMATION WE HAD AT THE TIME. WE NOT ONLY PASSED ALL THE INFORMATION AND SPECULATION WE HAD TO ADMIRAL POINDEXTER, BUT WE HAD OUR OWN GENERAL COUNSEL REVIEW THE PROPRIETY OF CIA'S ACTIONS, AND REPEATEDLY URGED THAT WHITE HOUSE COUNSEL REVIEW THE NSC'S ACTIVITIES AND THAT THE ENTIRE

INITIATIVE BE MADE PUBLIC. I BELIEVE THAT THESE WERE APPROPRIATE AND PROPER ACTIONS, GIVEN WHAT LITTLE WE HAD TO GO ON.

-- SECOND, WHILE I DO NOT WANT TO TRIVIALIZE THESE ACTIVITIES, IT IS IMPORTANT TO PLACE THEM IN PERSPECTIVE. LEST IT APPEAR THAT THE IRANIAN AFFAIR WAS THE PREOCCUPYING ISSUE ON OUR MINDS DURING THIS PERIOD, LET ME POINT OUT THAT DURING THE FIRST TWO WEEKS IN OCTOBER BOTH WE AND YOU WERE PREOCCUPIED WITH THE DOWNING OF THE PRIVATE BENEFACITOR AIRPLANE IN NICARAGUA AND THE CAPTURE OF EUGENE HASENFUS. THE DANILOFF AFFAIR AND ASSOCIATED EXPULSIONS CULMINATED DURING THIS PERIOD. WE ALSO WERE DEEPLY ENGAGED IN PREPARATIONS FOR THE PRESIDENT'S MEETING IN REYKJAVIK. NEARLY SIMULTANEOUSLY, WE HAD A POLITICAL CRISIS UNDERWAY IN THE PHILIPPINES, A PHONY SOVIET WITHDRAWAL FROM AFGHANISTAN, A MAJOR COMMITMENT OF TIME AND ENERGY RELATED TO THE BRITISH EXPULSION OF THE SYRIAN AMBASSADOR AND SYRIA'S INVOLVEMENT IN TERRORISM, THE FLAP OVER THE FALSE REPORTS OF KIM IL SUNG'S DEATH, AND A MAJOR PREOCCUPATION WITH THE RENEWAL OF THE AUTHORIZED SUPPORT FOR THE CONTRA PROGRAM ON 1 OCTOBER AND THE ASSOCIATED CONFLICT ALONG THE NICARAGUAN-HONDURAN BORDER. WE ALSO WERE BUSY WITH THE DAY-TO-DAY MANAGEMENT OF CIA AND THE INTELLIGENCE

COMMUNITY. THE BRIEF CONVERSATIONS AND SPECULATION ABOUT A POSSIBLE DIVERSION OF FUNDS CAME IN THE MIDST OF ALL THESE ACTIVITIES.

-- THIRD, I RECOGNIZE MY OBLIGATION BY LAW TO INFORM THE OVERSIGHT COMMITTEES OF ANY ILLEGAL INTELLIGENCE ACTIVITIES. YET, AT NO TIME IN OCTOBER AND NOVEMBER -- OR IN FACT TO THIS DAY, HAS ANY EVIDENCE OR INFORMATION BEEN BROUGHT TO ME OF ANY ILLEGAL INTELLIGENCE ACTIVITY IN THE IRAN PROJECT. INDEED, SEVERAL MEMBERS OF BOTH OVERSIGHT COMMITTEES HAVE TOLD ME THEY HAVE SEEN NO SUCH EVIDENCE EITHER. INFORMING THE COMMITTEES OF GENERAL CONCERNS RELATING TO THE IRAN OPERATION WAS PRECLUDED BY THE DIRECTIVE IN THE FINDING.

I ALSO RECOGNIZE MY OBLIGATION TO REPORT TO THE INTELLIGENCE OVERSIGHT BOARD THOSE INTELLIGENCE ACTIVITIES CONDUCTED BY THE AGENCY THAT I HAVE REASON TO BELIEVE MAY BE UNLAWFUL OR CONTRARY TO EXECUTIVE ORDER OR PRESIDENTIAL DIRECTIVE. IN ADDITION, I WILL REPORT POSSIBLE VIOLATIONS OF FEDERAL CRIMINAL LAWS BY EMPLOYEES AND OF SPECIFIED CRIMINAL LAWS BY ANY OTHER PERSON TO THE ATTORNEY GENERAL ACCORDING TO THE PROCEDURES WE HAVE AGREED TO FOLLOW. I CONSIDERED IN OCTOBER AND NOVEMBER -- AND EVEN TODAY -- THAT IT WOULD HAVE BEEN IRRESPONSIBLE TO REPORT TO THESE BODIES THE FLIMSY SPECULATION OF 1 OCTOBER.

Q. 7. DESCRIBE ANY INFORMATION PERSONALLY KNOWN TO YOU, EITHER DIRECTLY OR INDIRECTLY, CONCERNING ACTIVITIES BY U.S. OFFICIALS THAT HAS THE PURPOSE OR EFFECT OF PROVIDING ILLEGAL OR UNAUTHORIZED ASSISTANCE TO THE NICARAGUAN RESISTANCE DURING THE PERIOD THAT SUCH ASSISTANCE WAS PROHIBITED BY LAW.

A. THE ONLY ACTIVITIES WHICH I AM AWARE OF THAT MAY HAVE HAD THE PURPOSE OR EFFECT OF PROVIDING ILLEGAL OR UNAUTHORIZED ASSISTANCE TO THE NICARAGUAN RESISTANCE INVOLVE THE ACTIONS OF ONE OF OUR OFFICERS IN SUPPORT OF THE NICARAGUAN RESISTANCE DURING LATE 1985 AND 1986.

ON JANUARY 13TH I INFORMED THE CHAIRMAN AND VICE CHAIRMAN OF THIS COMMITTEE OF INDICATIONS WE HAD UNCOVERED THAT THIS INDIVIDUAL HAD VIOLATED AGENCY POLICY -- BUT NOT NECESSARILY THE LAW -- GOVERNING OUR INVOLVEMENT WITH THE NICARAGUAN RESISTANCE.

ON 22 JANUARY, I WAS INFORMED BY CIA'S INSPECTOR GENERAL THAT OUR OFFICER MAY HAVE MISLED US IN EARLIER INTERVIEWS AND CONVERSATIONS REGARDING HIS ACTIVITIES. I TELEPHONED THE CHAIRMAN AND VICE CHAIRMAN OF THE TWO OVERSIGHT INTELLIGENCE COMMITTEES TO INFORM THEM OF THIS WITHIN AN HOUR OF BEING APPRISED MYSELF.

THIS ENTIRE MATTER IS SUBJECT TO AN ONGOING INVESTIGATION BY CIA'S INSPECTOR GENERAL AS WELL AS SEVERAL OTHER INVESTIGATIVE BODIES. I HAVE KEPT THE CHAIRMEN AND VICE CHAIRMEN OF OUR INTELLIGENCE OVERSIGHT COMMITTEES APPRISED OF THE PROGRESS OF OUR INVESTIGATION AND, OF COURSE, WILL CONTINUE TO DO SO. I HOPE MY ACTIONS IN THIS UNFORTUNATE MATTER WILL BE TAKEN AS AN INDICATION OF MY ATTITUDE TOWARD THE DCI'S REPORTING OBLIGATIONS TO THE COMMITTEES. I FEEL STRONGLY ABOUT THESE OBLIGATIONS AND WILL CONTINUE TO ADHERE TO THEM CLOSELY.

- Q. 8. DESCRIBE ANY INFORMATION PERSONALLY KNOWN TO YOU, EITHER DIRECTLY OR INDIRECTLY, CONCERNING ANY ACTIVITIES THAT YOU HAVE REASON TO BELIEVE MAY BE UNLAWFUL OR CONTRARY TO EXECUTIVE ORDER WHICH HAVE NOT BEEN REPORTED TO THE INTELLIGENCE OVERSIGHT BOARD OR ANY ACTIVITIES WHICH INVOLVE VIOLATION OF ANY FEDERAL CRIMINAL LAW WHICH HAVE NOT BEEN REPORTED TO THE ATTORNEY GENERAL.
- A. ASIDE FROM THE ONE POSSIBLE CASE OF IMPROPER INVOLVEMENT WITH THE NICARAGUAN RESISTANCE THAT I HAVE JUST MENTIONED, I AM NOT AWARE OF ANY ACTIVITIES CONDUCTED BY THE CIA WHICH I HAVE REASON TO BELIEVE ARE UNLAWFUL OR CONTRARY TO EXECUTIVE ORDER WHICH HAVE NOT BEEN REPORTED TO THE INTELLIGENCE OVERSIGHT BOARD OR TO THE ATTORNEY GENERAL. THE INSPECTOR GENERAL AND GENERAL COUNSEL REPORT QUARTERLY TO THE PIOB ON INTELLIGENCE ACTIVITIES THAT MAY BE UNLAWFUL OR CONTRARY TO EXECUTIVE ORDER. OCCASIONALLY, AD HOC REPORTS ARE FORWARDED TO THE IOB WHEN WE DISCOVER POSSIBLE ILLEGAL OR INAPPROPRIATE ACTIONS THAT ARE COMMITTED BY AGENCY PERSONNEL. THE GENERAL COUNSEL HAS THE ADDED RESPONSIBILITY OF REPORTING POSSIBLE ILLEGAL ACTS TO THE DEPARTMENT OF JUSTICE AS THEY OCCUR. I BELIEVE WE HAVE CARRIED OUT THESE REPORTING REQUIREMENTS EXPEDITIOUSLY AND CONSCIENTIOUSLY.